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STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

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E.O. 12958: N/A
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

Ha'aretz and Yediot reported that the leaders of Israel, the PA and the U.S. are expected to hold a joint meeting during President Bush's visit here next week, in an effort to accelerate negotiations

on the conflict's core issues -- borders, refugees, and Jerusalem. Ha'aretz reported that an association of Israeli rabbis, whose dominant faction is a group of Chabad rabbis, recently wrote the President, asking him to cancel his planned visit to Israel. The group cites reports interpreting the visit as being intended to pressure Israel to cancel various security measures that make life difficult for Palestinians and to carry out a major evacuation of West Bank settlements, steps that would "directly cost the lives of hundreds of Jews."

PM Ehud Olmert was quoted as saying in an interview with The Jerusalem Post that he is satisfied with the current makeup of his coalition and convinced that he would be able to pass a potential deal with PA President Mahmoud Abbas without changing it. The Jerusalem Post reported that Olmert's statement surprised his coalition partners, Shas and Yisrael Beiteinu, who were already angry at the PM for comments he made to the newspaper, published on Tuesday, in which he spoke about the need to internalize that even Israel's friends on the international stage conceive of the country's future on the basis of the 1967 borders and a divided Jerusalem. Olmert was quoted as saying that he believes that "a decisive majority of Israelis and a majority in the Knesset will be able to support an agreement that I will be able to sign."

The media cited the Shin Bet as saying that the killers of the two soldiers shot on Friday during a hike near Hebron were on the payroll of the PA and that at least one of them was a member of Fatah security organizations. Israel Radio reported that the PA will not extradite the two men, and that Israel will not interrupt the ongoing talks with the Palestinians as a result of the event. Ha'aretz quoted the PA as saying on Tuesday that it recently foiled a Hamas-planned suicide bombing in Israel by arresting the would-be suicide bomber, but the Shin Bet says it knows nothing about the

case.

Maariv reported that Israel's political echelon has set as a goal a deal to release Gilad Shalit in a few weeks. On Tuesday Maariv cited the fear of defense officials that Olmert is incapable of reaching a decision regarding Shalit on his own.

On Tuesday Ha'aretz reported that over the past two months Ehud Barak has taken legal action against illegal outpost dwellers.

The Jerusalem Post reported that on Tuesday the PA reacted angrily to PM Olmert's assertion that Ma'aleh Adumim was an "indivisible" part of Jerusalem and Israel, and warned that continued construction in the settlements and Jewish neighborhoods in east Jerusalem would "sabotage" the peace process. In an interview with The Jerusalem Post published Monday, Olmert made it clear that he did not envisage a permanent accord along the 1967 lines, adding that his primary responsibility as prime minister lay in ensuring a "separation" from the Palestinians. "I don't think when people are talking about settlements they are talking about Ma'aleh Adumim," Olmert said. The Jerusalem Post reported that a top PA official in Ramallah responded: "Olmert must be living on another planet. Peace and settlements don't go together. If this is his policy, he can forget about finding a partner on the Palestinian side." On Tuesday Ha'aretz reported that the Israel Lands Administration recently published two construction tenders for Jerusalem in areas over the Green Line (for 440 apartments in the Armon Hanatziv neighborhood and for hotels in the Gilo neighborhood). Ha'aretz reported that the Jerusalem District Court ruled last Sunday that eight Jewish families must vacate an illegally built East Jerusalem house they have been living in since 2004, marking the largest ever removal of settlers from East Jerusalem. However, the families plan to appeal the ruling to the Supreme Court.

The Jerusalem Post quoted Israeli officials as saying on Tuesday that Egypt has worked to thwart Israel diplomatically in various international fora for years, so Egyptian FM Ahmed Ali Abu al-Gheit's recent threat to turn up the diplomatic heat on Israel is nothing new. Maariv reported that PM Olmert has canceled a debate on relations with Egypt due to take place today, because of the tension between the two countries.

Ha'aretz reported that Internal Security Minister Avi Dichter recently wrote Knesset members Uri Ariel and Ariele Eldad (National

Union-National Religious Party) that a Jew is not allowed to pray in any overt manner whatsoever on the Temple Mount, even if he is just moving his lips in prayer. The newspaper reported that Dichter's statement came in response to a test of the state's position on the issue by the two Knesset members.

On Tuesday Yediot cited data for 2007 from the GOI's Central Bureau of Statistics: Growth was the highest in the western world (5.3%). This is the fourth year running that Israel leads western countries in growth over 5%. Personal consumption has risen by 5.3%. Exporters' fears that the sharp drop in the U.S. dollar would harm exports was exaggerated. Export and services rose by 8.6%. Israel also leads with a decline in unemployment: No other western country can boast a 40% drop in unemployment over a four-year period, from 11% to 6.9%. However, the GDP per capita in Israel last year came to just \$22,600, while the average for other industrialized countries to which Israel aspires is \$30,000. Inflation rose to a worrying rate, and is expected to clock in at 3.3%, above what the government aimed for - between 1% and 3%.

All media told the story of Tamir Nabuani, a soldier killed in an accident on Tuesday. He was soon to become the first Druze to enter the elite Sayeret Matkal commando unit.

Electronic media reported that eight Palestinians were killed overnight in fighting with the IDF.

Electronic media reported that the Israeli, U.S., and British embassies in Canberra reported that they had been sent envelopes containing a white substance, which turned out to be innocuous.

On Tuesday Ha'aretz reported that the Shin Bet presented a dramatic drop in terror fatalities of 2007 compared to previous years. Israel Radio reported that Shin Bet officials warned that Hamas has improved its military deployment in the Gaza Strip since its takeover about a half year ago and smuggled, from Egypt, dozens of tons of explosives and millions of dollars.

Ha'aretz reported that several hundred Palestinians who have been stranded in Sinai for the past few months finally began their journey back to the Gaza Strip -- via the Kerem Shalom checkpoint. However, about 1,000 Palestinians are still living in tents at Al-Arish, in the northern Sinai. Hundreds of Palestinians demonstrated in Al-Arish on Tuesday to reiterate their opposition to entering Gaza via Israel.

On Tuesday The Jerusalem Post reported that a Jerusalem square will be "symbolically" dedicated to convicted spy Jonathan Pollard ahead of President Bush's visit to Israel.

Yediot presented a "rare glimpse" (with photographs) into the Dimona nuclear reactor.

Mideast:

Summary:

Ely Karmon, a senior terrorism researcher at the Interdisciplinary Center Herzliya, wrote in the independent, left-leaning Ha'aretz: "Israel's acceptance of the hudna [truce] proposal would constitute a strategic victory for Hamas and its allies."

Zalman Shoval, a senior Likud member and former ambassador to the U.S., wrote in the conservative, independent Jerusalem Post: "If evacuation [of Israelis] is presented to the Palestinians as a given, not even to be negotiated -- why should they want to make concessions to Israel?"

Ha'aretz editorialized: "The announcement that the Prime Minister has directed cabinet ministers not to build in the territories behind his back sounds like a sleight of hand.... Settlement construction will not be stopped with words."

The Jerusalem Post editorialized: "Sarkozy's bold step marks a lasting change in this pattern [of tolerance for rogue regimes] and

becomes a harbinger of a shift toward a more effective Western policy."

Block Quotes:

I. "Hudna Is No Solution"

Ely Karmon, a senior terrorism researcher at the Interdisciplinary Center Herzliya, wrote in the independent, left-leaning Ha'aretz (1/2): "In light of the success of the pinpoint military operations against Islamic Jihad in the Gaza Strip, and signs of weakening in the Hamas leadership, many are calling for accepting Ismail Haniyeh's purported offer of a hudna (a cease-fire), or alternately a tahadiyeh (a lull in the fighting), in exchange for an end to IDF operations in Gaza and a lifting of the siege. It appears that the decision makers in Israel have learned nothing.... Israel's acceptance of the hudna proposal would constitute a strategic victory for Hamas and its allies: The organization would be regarded by the Palestinian population as the leading element in the national struggle. It would quickly receive international legitimacy.... In a year or two, an extremist state, allied with Iran, Syria and Hezbollah, will emerge on our southern border, with a good chance of taking over the West Bank and affecting the stability of Jordan, Egypt, and possibly also the Islamic Movement in Israel. Even if Hamas meets its promise not to violate the cease-fire for several months, Iran and its ally, Islamic Jihad, will do everything in their power to sabotage the negotiations with the Palestinians.... We should remember that there are still radical elements in Fatah who do not accept a compromise with Israel, among them Fatah Secretary General Farouk Kaddoumi, whose permanent base is Damascus.

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Only by bolstering the moderates in the Palestinian leadership and population in the West Bank, while politically and socially weakening Hamas in Gaza, will it be possible, perhaps, for fissures to occur in the Islamic movement and for a joint struggle with the Fatah moderates and the pragmatic leaders among Hamas against the radicals in control in Gaza and elsewhere."

II. "Has Israel Given Up on Reciprocity?"

Zalman Shoval, a senior Likud member and former ambassador to the U.S., wrote in the conservative, independent Jerusalem Post (1/2): "Sharon considered President George W. Bush's recognition of the settlement blocs to be ironclad. But in view of the Annapolis conference and Bush's failure to even mention his famous letter affirming the settlement blocs to Sharon in his speech -- plus the fact that Secretary of State Condoleezza Rice is raising objections to any building in those locations, as well as in Jerusalem -- questions arise regarding the firmness of that commitment.... Even accepting the premise of most previous Israeli governments -- namely, that for genuine peace, unlike the present virtual exercise hatched at Annapolis, Israel would have to make 'painful' compromises, this would have to be on the basis of give and take. And if there was any lingering doubt about this principle, the letdown after the Gaza disengagement should tell us that once is enough. But that is exactly what the 'evacuation compensation' proposal is: unilateral withdrawal. In other words, if evacuation [of Israelis] is presented to the Palestinians as a given, not even to be negotiated -- why should they want to make concessions to Israel? The inevitable result would be a demand for additional concessions west of the security fence, including in the supposedly immune -- and even for this government, non-negotiable -- settlement blocs."

III. "Words Won't Stop the Construction"

Ha'aretz editorialized (1/1): "The announcement that the Prime Minister has directed cabinet ministers not to build in the territories behind his back sounds like a sleight of hand.... First of all the state must take back the powers it surrendered to the settlers' local councils.... Stopping construction in East Jerusalem is more problematic, but possible.... Today, as Olmert attempts to move ahead talks with Mahmoud Abbas, he probably regrets some of his decisions. But meanwhile the system continues to work, and neighborhoods like Ras el-Amud and Har Homa, which were already provocations back then, continue to expand due to construction

permits given in the past.... Even if the Olmert government has difficulty dismantling outposts, it must at least find a way to stop their growth.... Olmert is trying to navigate between [right-wing cabinet minister Avigdor] Lieberman and Abbas; but if his intentions to negotiate are real, this does not stand a chance. Therefore the statements this week about directives to cabinet ministers on the need to stop construction in the settlements, or at least to inform the Prime Minister of any such construction, are pitiful and deceptive. Settlement construction will not be stopped with words."

IV. "Sarkozy's Bold Shift"

The Jerusalem Post editorialized (1/1): "French President Nicholas Sarkozy announced Sunday that Paris 'will have no more contact with Syria... until we have proof of Syrian willingness to let Lebanon appoint a president by consensus.' This severing of diplomatic relations is being termed by some as a 'failure' of French policy. Yet the real failure is in the more common Western belief in a business-as-usual approach toward rogue regimes.... Tehran and Damascus are counting on the West to continue to trade with them and treat them as international 'players,' rather than pariahs to be cut off from the entire world. So long as such Western tolerance for these regimes continues, no one should be surprised that the rogues see their support for terrorism as producing more benefits than costs. We can only hope that, as the new year begins, Sarkozy's bold step marks a lasting change in this pattern and becomes a harbinger of a shift toward a more effective Western policy."

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